PART I: The Problem

Frankly, dear public, you are being robbed. This may be put crudely but at least it is clear.

—Frederic Bastiat, Economic Sophisms

CHAPTER ONE

THE STING

Welcome to the world's greatest carnival, the American economy. Here you can take a chance at winning the American Dream. You can work hard, save your money, invest it wisely, and win that coveted prize—financial independence. All it takes is the three virtues: hard work, thrift, and investing in America.

But wait. You say you tried it and came away disappointed? You worked hard, saved and all you have to show for your effort is a tiny savings account shrinking after taxes and inflation, a job that is threatened by recession and a few stocks that rise and fall like roller coaster cars?

Maybe you had a run of bad luck. Perhaps, as your stockbroker tells you, second-stage rockets are going to boost the stock market into an even higher orbit. Perhaps President Clinton will get control of the business cycle and your job will be stable and secure. Perhaps you should just keep trying.

Well, before you chalk your experience up to a run of bad luck and jump back into the pursuit of the American Dream, come along with me. You deserve a trip behind the scenes to see for your self what is really going on. All is not what it appears to be. The rich investment prizes dangling before you—enticing you to work hard and save and invest with our great financial institutions—are bait. Like the prizes displayed in the carnival booths, they attract the gullible so that they can be fleeced by the operators; behind the flashy facades of the world of money and business, there is some skullduggery going on.

You are involved in an exceedingly sophisticated con game in which you are the unwitting and almost helpless victim. You are the target of the greatest sting in the history of mankind—a sting that makes all other con games in history look amateurish. The take is big—hundreds of billions of dollars every year—and most of it comes from hardworking, trusting, middle-class citizens just like you. To give you an idea of the magnitude of your loss, you are being steadily fleeced of over half of everything you earn and, in the long run, of the majority of everything you save.

Every sting, to be effective, depends on two elements. First, it depends on the greed of the victim. Second, it must be clever enough to defy detection. You are going to be surprised at how the sting works. Moreover, you will be shocked to find out who it is that is ripping you off. The culprits are people you would least suspect—these clever manipulators have even convinced you to participate in your own demise.

The danger to your wealth does not come from errors of judgment on your part (other than the error of believing what you’re told); the danger comes from the fact that others truly believe that your wealth should belong to them. These individuals have developed such a sophisticated system of plunder that almost no one, from the small investor with a tiny savings account to a professional investment manager with millions under his control, truly understands how the sting is taking place.

Their success in perpetuating this sting depends on first convincing you that two and two don’t make four. That is, they must first mislead you about economics. You must be completely indoctrinated with false economic principles. Before you can understand the sting, you must first shed all the false ideas that our educational system and the news media have taught you about the way the economy works .

Economics happens to be one of the simplest, easiest and most useful subjects a person can learn. Of course, that is not what we are told and certainly, the way the subject is distorted in most books and articles, one would think it is obscure, difficult and boring. Even if you haven't studied economics in school, you